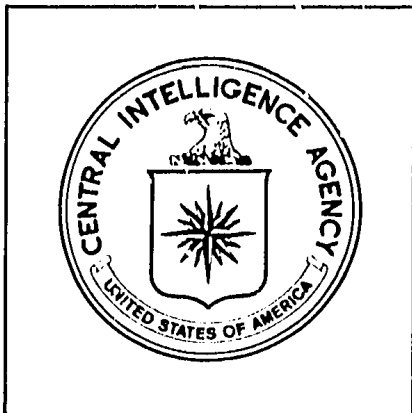
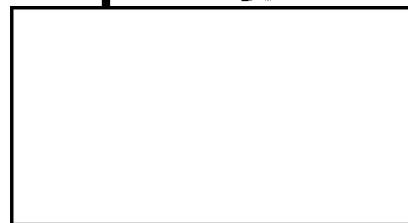


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## Soviet Union-Eastern Europe

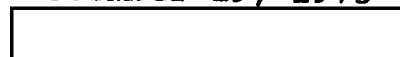
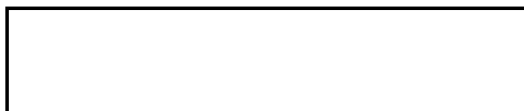
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171

25X1

December 19, 1975



25X1

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SOVIET UNION - EASTERN EUROPE

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CONTENTS

December 19, 1975

A Delayed CEMA Summit. . . . .	1
Czechoslovakia: The "Lessons" Live . . . . .	4
Yugoslavia: Tito Concerned Over Downward Economic Drift . . . . .	5

25X1

A Delayed CEMA Summit

Convocation of the delayed CEMA summit continues to slip. [redacted] the Soviets are planning a January meeting, but [redacted] prospects for a session that soon are bleak.

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Romanian dissent on issues the Soviets apparently want to raise at the meeting has been a factor in the delay, but it is unlikely that Moscow would permit Bucharest's recalcitrance alone to postpone the summit. Heavy travel schedules, preparations for party congresses in Poland and the USSR, and the difficulties of completing plan coordination protocols and trade agreements among the CEMA countries have also contributed to the delays.

The Soviets have circulated a document on CEMA integration--to be released at the summit--which reportedly has the concurrence of all the East Europeans except the Romanians. [redacted] Bucharest is dickering over the document's language on:

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CEMA-EC ties: The Romanians seem agreeable to CEMA-EC negotiations, but reportedly insist that the document specifically mention the right of individual CEMA countries to maintain ties with the EC. The Soviets, who are reluctant to dilute the multilateral approach, probably argue that no reference is necessary because the safeguards are written into the CEMA charter.

CEMA Specialization: The Romanians believe that Soviet-proposed wording would preclude efforts by individual countries to build or expand certain industries. Bucharest has long been concerned that CEMA decisions on specialization that are based solely on economic criteria and taken from a CEMA-wide perspective would favor the more developed CEMA countries and thereby perpetuate Romania's less developed status. As a counter, the Romanians have

December 19, 1975

argued--this year and in the past--that they and other less-developed CEMA countries deserve politically-motivated economic assistance to equalize the development of all CEMA members. The Soviets refuse to consider Romania a less-developed country.

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Joint Development Projects: [REDACTED]

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[REDACTED] the Romanians object to allowing the Soviets to have full control of a jointly developed project (and its production) on Soviet territory, even after Moscow has repaid East European development assistance. This, in effect, is a demand that Moscow earmark greater quantities of raw materials from such joint projects for the East Europeans. While this demand is in line with Romanian efforts to get more of certain raw materials from the Soviets, it is inconsistent with Bucharest's view that jointly developed projects on Romanian soil are subject only to Romanian control.

The Romanians may be dissenting on other issues. The Soviets at one time were proposing that CEMA's planning cooperation committee be given increased power to direct other CEMA units and that it be put on a full-time operating schedule. Moscow clearly hopes that such steps--which are aimed at greater efficiency and integration--will counter Romanian delaying tactics within CEMA. Bucharest will resist any institutional changes that have a supranational ring and ideally would like to perpetuate a creaky, inefficient CEMA structure.

25X1

December 19, 1975

25X1

It is more likely that any other East European dissent would focus on specific economic proposals by Moscow.

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All the East Europeans, of course, are eager to get further Soviet assurances on long-term deliveries of raw materials, but it is not likely that this overall issue can be--or is intended to be--resolved before a CEMA summit. Any Soviet effort to seek even partial solutions in these or other sensitive areas could further delay a CEMA summit.

25X1

December 19, 1975

Czechoslovakia: The "Lessons" Live

Several recent articles in the Czechoslovak press throw cold water on hopes that the coming 15th party congress might take a softer line toward ostracized reformers of the Dubcek era.

The articles are part of the activity commemorating the fifth anniversary of "Lessons," a Central Committee document approved in December 1970. Inasmuch as they stress the continuing validity of "Lessons," the press commentaries suggest that the congress will not make a dramatic gesture toward national reconciliation by providing a way to rehabilitate large numbers of the ostracized reformers.

The regime's defense of the document is not surprising. "Lessons" was intended to serve as both a post mortem of "what went wrong" in 1968 and an apologia for the restoration of rigidly orthodox Communist rule. Moreover, the document rationalized the roles that several of the present leaders played during the reform era. It also exonerated the system by blaming the Novotny and Dubcek regimes for making the party vulnerable to the "rightist" onslaught.

The commentaries point out that political settlement of the crisis was possible without resorting to "sectarian approaches which aggrandized the significance of administrative coercive approaches." They also stress the "differentiated" case-by-case approach to rehabilitation that party chief and president Husak reportedly favors. Although the articles thus suggest that the "moderates" scored a victory, selective rehabilitation falls considerably short of what many emigres had hoped for.

25X1

December 19, 1975

25X1



Yugoslavia: Tito Concerned Over  
Downward Economic Drift

In a hard-hitting speech on December 11, Tito scored the Party Presidium for failing to fully implement the economic stabilization program for 1975. Tito hinted that even stronger restraining measures might be taken in 1976.

Tito expressed concern about the festering problems of inflation, unemployment, and the large hard-currency trade deficit. In the first nine months of 1975, consumer prices were up 24 percent over the year before, unemployment 20 percent, and the hard-currency trade deficit 12 percent.

Industrial growth has fallen to 6 percent from 11 percent in 1974, and a mediocre harvest will probably mean there will be little growth in agriculture this year. Economic growth already has slowed sharply --we expect gross national product to increase approximately 3 percent in 1975 compared with 6 percent in 1974.

The slowdown in industrial growth reflects a decline in both domestic demand and Western demand for Yugoslav exports. Shortages of some imported raw materials and intermediate products, as a result of the selective import restrictions imposed during 1975, are other contributing factors. The tobacco, food processing, and printing industries were hardest hit by the import restrictions. Production cutbacks are also likely to occur soon in those industries where large inventories have accumulated--for example, in the textile, electric appliance, and furniture industries.

Export growth has stagnated because of the Western recession and the impact of domestic inflation on the competitiveness of Yugoslav goods in

December 19, 1975

Western markets. Remittances expected from workers abroad and receipts from tourism will fall far short of overcoming the trade deficit, leaving a current account deficit of about \$1 billion for 1975.

Yugoslavia's foreign exchange reserves declined from \$1.3 billion in February 1975 to about \$1 billion in October--the lowest since early 1973--as balance-of-payments pressures have mounted. These reserves are the equivalent of only one and a half month's imports from the convertible currency area. The Yugoslavs may be forced to draw reserves down even further by the end of the year because of increasing difficulties in obtaining credit in the West.

A basic problem with economic policy in Yugoslavia is the structure of the system. There is no mechanism for insuring full implementation of federal decisions at the republic or enterprise level. Instead, Belgrade must rely on the regional party and mass organizations to provide coordination and direction for Yugoslav policy at those levels.

The 1976 plan, now being hotly debated at the republic level, calls for another round of stabilization measures. Under the plan, import controls are to be continued, stronger measures taken to regulate investment spending, and stricter criteria established for price increases.

The federal government is being criticized in some republics for making key economic decisions that constitutionally belong to the republics. Tito, nevertheless, told the party leaders that the cabinet is acting properly and that it is the republics which are mainly at fault for the economic situation.

25X1

December 19, 1975

Next 4 Page(s) In Document Exempt